

# 3Q 2010 Business Results & Outlook

Oct 19, 2010



**The business results for the third quarter of 2010 currently under audit review are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.**

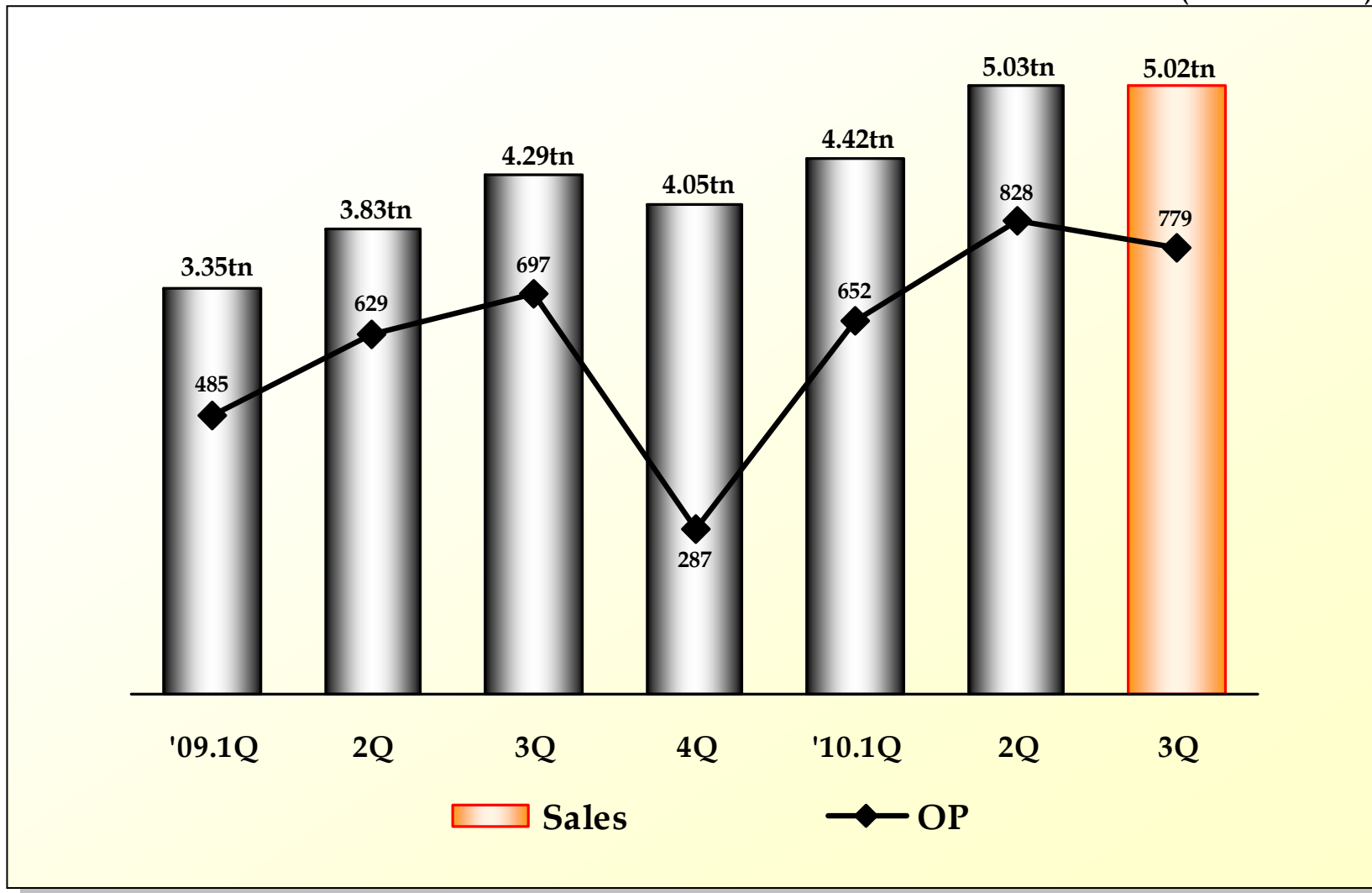
**Forecasts and projections contained in this material are based on current business environments and management strategies, and they may differ from the actual results upon changes and unaccounted variables.**

**From 2010, the business results including all historical data are subject to the IFRS(International Financial Reporting Standards).**

## **Table of Contents**

<b>Quarterly Business Results</b>	<b>1</b>
<b>3Q 2010 Business Results</b>	<b>2</b>
<b>Divisional Results &amp; Outlook</b>	<b>4</b>
<b>Appendix</b>	<b>6</b>

(Unit: KRW bn)



(Unit: KRW bn)

Classification	'09.3Q	'10.2Q	'10.3Q	YoY	QoQ
<b>Sales</b>	4,295	5,028	5,021	16.9%	-0.1%
<b>Operating Profits</b>	697	828	779	11.8%	-5.9%
(%)	(16.2)	(16.5)	(15.5)		
<b>Pre-tax Income</b>	704	822	791	12.4%	-3.8%
(%)	(16.4)	(16.3)	(15.7)		
<b>Net Income</b>	542	646	599	10.5%	-7.2%

## Financial Position

(Unit: KRW bn)

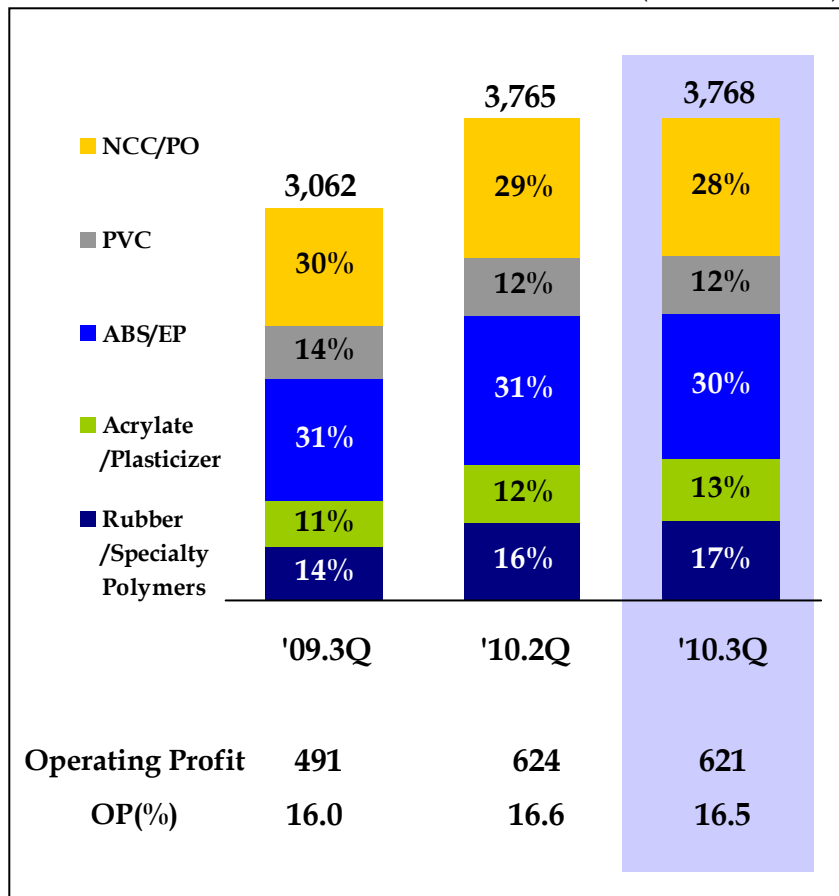
Classification	'09	'10.3Q	Change
<b>Asset</b>	<b>10,531</b>	<b>12,054</b>	14.5%
Cash and equivalent	1,107	1,251	13.1%
<b>Liabilities</b>	<b>4,604</b>	<b>4,657</b>	1.2%
Borrowings	2,411	2,140	-11.2%
<b>Shareholder's Equity</b>	<b>5,927</b>	<b>7,397</b>	24.8%
<b>EBITDA</b>	<b>2,611</b>	<b>2,744</b>	

## Financial Ratios

Classification	'09	'10.3Q	Change
<b>Total Liabilities / Equity (%)</b>	<b>77.7</b>	<b>63.0</b>	-14.7%p
<b>Debt / Equity (%)</b>	<b>40.7</b>	<b>28.9</b>	-11.8%p
<b>Interest Coverage Ratio</b>	<b>20.2</b>	<b>48.7</b>	28.5
<b>ROE (%)</b>	<b>27.3</b>	<b>35.3</b>	8.0%p
<b>ROA (%)</b>	<b>14.8</b>	<b>20.8</b>	6.0%p

## Business results

(Unit: KRW bn)



## Analysis

### • Analysis

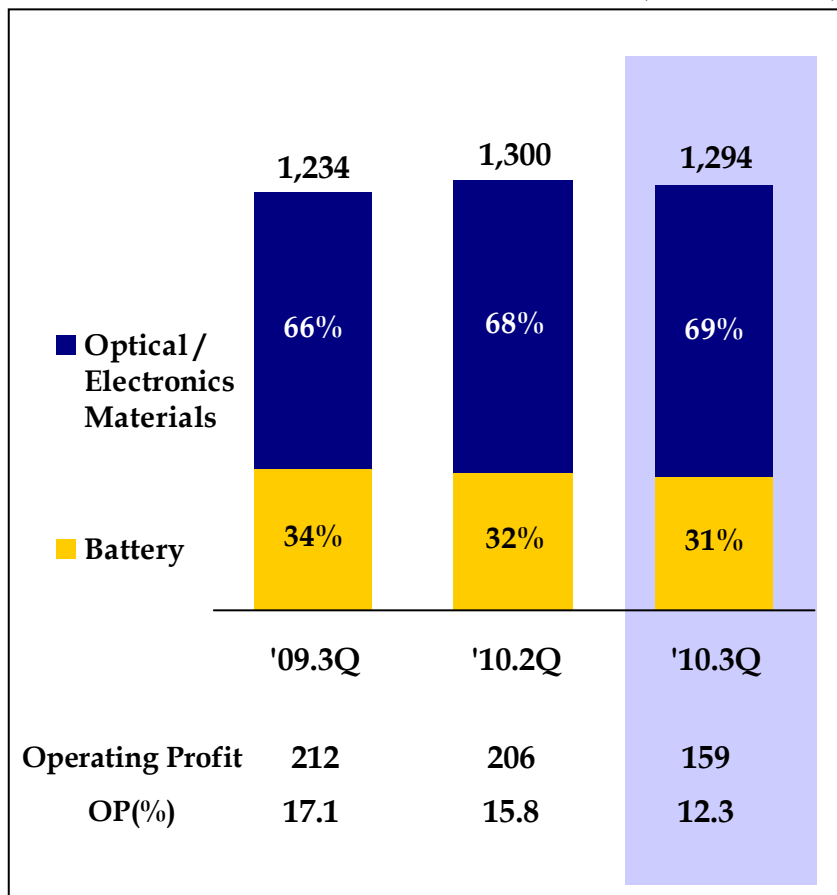
- Maintained high profitability thanks to differentiated product mix despite price adjustments of some products
  - NCC/PO : Despite the market fluctuations, stable margin maintained attributable to increased sales of premium products
  - PVC : Solid performance backed by favorable market conditions
  - ABS/EP : Margin improved with seasonal demands and stable prices of raw material
  - Acrylate / Plasticizer : Maintained high profitability by continued supply tightness and robust demands
  - Rubber / Specialty Polymer : Continued solid results based on the tight supply

### • Outlook

- Strong product prices thanks to favorable supply and demand balance
- Sustainable profits through predominant competitive products

## Business results

(Unit: KRW bn)



## Analysis

### • Analysis

- A slight drop in profits due to weak demand in IT industry
  - Optical Materials : Earnings went down due to decreased utilization rate of customers and increased raw material cost stemming from strong JPY
  - Battery : Maintained stable sales based on successful partnership with key customers despite weak demand
- Acquired new big customers for Advanced Battery
  - Selected as a supplier of EV battery for Ford and Renault, and\*ESS battery for\*SCE

### • Outlook

- Expect stable business performance based on our global competitiveness
  - Optical Materials : Secure global No.1 position and enhance differentiated competitiveness
  - Battery : Achieve continuous growth through the internal M/S increase in key customers and new sales for tablet PC, etc.
  - Advanced Battery : Sales increase due to a launch of GM Volt and Sonata HEV. Continuous efforts into securing new customers

\*ESS (Energy Storage System), SCE (Southern California Edison)



(Unit: KRW bn)

LGC	2009					2010				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	3,350	3,830	4,295	4,046	15,521	4,423	5,028	5,021		14,473
Operating Profit	485	629	697	287	2,098	652	828	779		2,259
Petrochemicals	2,582	2,847	3,062	2,959	11,450	3,309	3,765	3,768		10,842
NCC/PO	751	836	911	897	3,395	948	1,082	1,068		3,098
PVC	439	416	429	408	1,693	453	455	455		1,363
ABS/EP	724	886	948	900	3,458	998	1,173	1,142		3,312
Acrylate/Plasticizer	310	324	351	330	1,315	401	451	478		1,330
Synthetic Rubber/ Specialty Resin	358	385	423	423	1,588	509	605	626		1,739
Operating Profit	380	511	491	226	1,608	490	624	621		1,735
I & E Materials	786	1,015	1,234	1,157	4,191	1,159	1,300	1,294		3,753
Optical/Electronic	556	724	862	774	2,916	843	917	913		2,672
Battery	248	317	445	375	1,385	353	429	417		1,199
Operating Profit	110	121	212	65	507	168	206	159		533

## Borrowings

(Unit: KRW bn)

Classification	'09	'10.3Q
<b>Total</b> (Overseas Subsidiaries)	<b>2,411</b> <b>(602)</b> 100%	<b>2,140</b> <b>(796)</b> 100%
<b>KRW Currency</b>	<b>266</b> 11%	<b>163</b> 8%
<b>C P</b>	249	150
<b>Others</b>	17	13
<b>Foreign Currency</b> (Overseas Subsidiaries)	<b>2,145</b> <b>(602)</b> 89%	<b>1,977</b> <b>(796)</b> 92%
<b>Loan</b> (Overseas Subsidiaries)	1,011 (602)	911 (796)
<b>Negotiation Borrowing</b>	949	931
<b>FRN</b>	185	136
<b>Short-term</b> (Overseas Subsidiaries)	<b>1,833</b> <b>(429)</b> 76%	<b>1,530</b> <b>(539)</b> 71%
<b>Long-term</b> (Overseas Subsidiaries)	<b>578</b> <b>(174)</b> 24%	<b>610</b> <b>(257)</b> 29%

☞ The % is calculated to total borrowings.

## Cash Flow

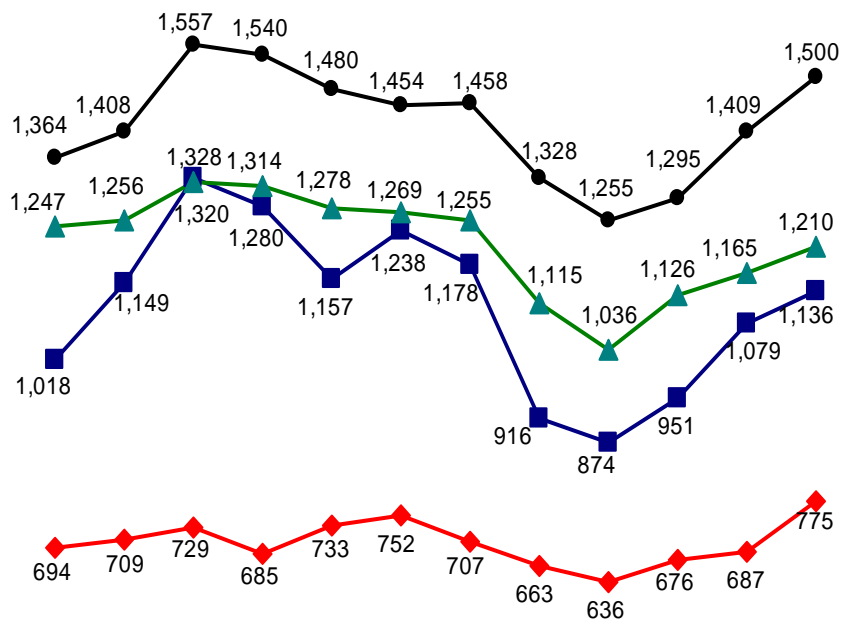
(Unit: KRW bn)

Classification	'09	'10.3Q
<b>Beginning</b>	<b>514</b>	<b>1,107</b>
<b>Operating/Investing</b>	<b>1,515</b>	<b>696</b>
<b>Net Income</b>	<b>1,539</b>	<b>1,763</b>
<b>Depreciation</b>	<b>533</b>	<b>473</b>
<b>Working Capital</b>	<b>445</b>	<b>-647</b>
<b>CAPEX</b>	<b>-1,063</b>	<b>-1,026</b>
<b>Others</b>	<b>61</b>	<b>132</b>
<b>Financing</b>	<b>-922</b>	<b>-551</b>
<b>Borrowings</b>	<b>-713</b>	<b>-271</b>
<b>Dividends</b>	<b>-209</b>	<b>-280</b>
<b>Net Cash Flow</b>	<b>1,107</b>	<b>1,251</b>

(Unit: KRW bn)

Classification		'08	'09	'10 Plan	'10.3Q Accumulated
Petrochemicals	New / Expansion	223	158	289	155
	Maintenance	103	132	174	122
	<b>Total</b>	<b>326</b>	<b>290</b>	<b>463</b>	<b>277</b>
I & E Materials	New / Expansion	270	472	670	559
	Maintenance	58	81	125	88
	<b>Total</b>	<b>328</b>	<b>553</b>	<b>795</b>	<b>647</b>
Common Expenses	New / Expansion	1	22	-	-
	Maintenance	71	198	175	102
	<b>Total</b>	<b>72</b>	<b>221</b>	<b>175</b>	<b>102</b>
Total	New / Expansion	494	652	959	714
	Maintenance	233	411	474	312
	<b>Total</b>	<b>727</b>	<b>1,063</b>	<b>1,434</b>	<b>1,026</b>

(Unit:U\$/MT)

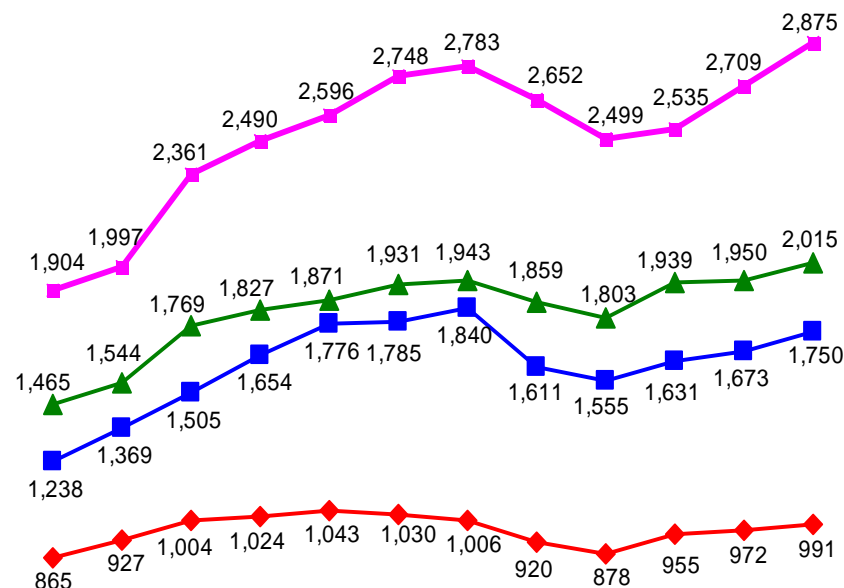


Nov '09 Dec '09 Jan '10 Feb '10 Mar '10 Apr '10 May '10 Jun '10 Jul '10 Aug '10 Sep '10 Oct '10

◆ Naphtha    ■ Ethylene    ▲ HDPE(Film)    ● LDPE

**NCC/PO**

(Unit:U\$/MT)



Nov '09 Dec '09 Jan '10 Feb '10 Mar '10 Apr '10 May '10 Jun '10 Jul '10 Aug '10 Sep '10 Oct '10

◆ PVC    ▲ ABS    ■ Oxo-Alcohol    ◆ BR

**PVC**

**ABS/EP**

**Acrylate/  
Plasticizer**

**Rubber/  
Specialty Polymers**

• The prices are average price of CFR FE Asia for general grade in each product group.